

UNCTAD

Foreign Direct Investment in Africa: Performance and Potential

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Preface

Many African countries have already done much to create a more business-friendly environment to promote local investment as well as foreign direct investment, and many have made impressive progress towards political and economic stability. In their efforts to revive economic activity they have scaled down bureaucratic obstacles and interventions in their economies, embarked on privatization programmes and are putting in place pro-active investment measures. These efforts -- helped by other factors such as high commodity prices -- have borne fruit in recent years, leading to a turnaround after a long period of economic contraction, in many countries. As a result, for the first time since the early 1980s, per capita gross domestic product of the continent as a whole has grown considerably for a number of consecutive years since 1994. Some countries that not so long ago were being torn apart by civil unrest or war have recovered and are growing again, although this growth has to be nurtured, given recent developments in the world economy.

Foreign direct investment in Africa -- which can make an important contribution to the economic development of the continent -- has increased only modestly in recent years, as the image of Africa among many foreign investors still tends to be one of a continent associated mainly with political turmoil, economic instability, diseases and natural disasters. However, although these problems persist in some African countries and although they are a serious impediment to the development of these countries, little attempt is often made to differentiate between the individual situations of more than 50 countries of the continent.

As a result, many African countries are not even listed for consideration by transnational corporations -- let alone make it onto the "short list" -- when it comes to locational decisions for FDI, despite offering a number of attractions to foreign investors.

On close examination, however, one finds that a number of "frontrunners" have emerged who have attracted above-average amounts of FDI -- even by the standards of developing countries as a whole -- not only in traditional sectors, such as mining and petroleum, but also in manufacturing and service industries. Most importantly, from the viewpoint of foreign companies, investment in Africa seems to be highly profitable, more profitable indeed than in most other regions.

This booklet is intended to give a more balanced image of Africa and to send a clear message to foreign investors: *“Treat Africa like any other continent or region: do not simply write it off, but have a differentiated look. Look at it closely, country by country, industry by industry, and opportunity by opportunity. Your competitor may well be there already.”*

This message needs to get out to as many direct investors as possible. For that purpose, the United Nations Conference on Trade and Development and the International Chamber of Commerce, in cooperation with the Special Unit Technical Cooperation among Developing Countries' of the United Nations Development Programme and the 'Promote Africa' Programme of the Multilateral Investment Guarantee Agency, have produced a fact sheet summarizing this booklet's major findings. This fact sheet will be sent to corporate executives of transnational corporations, from developed and developing countries, involved in locational decisions in their companies, and it will be otherwise disseminated widely.

This booklet is one step, but nevertheless an important one, to help change the image of Africa and to put the continent back on the investment-location map of transnational corporations.

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Rubens Ricupero
Secretary-General of UNCTAD